Chapter 23

Israel

Orly Benjamin, Sarit Nisim and Dikla Segel-Karpas

Abstract Israel's response to population ageing has included policies increasing pension age, flexible working, and privatisation of pensions. These policies have increased poverty risks for those experiencing exclusion and isolation and limited access to housing, education, quality jobs, and healthcare services. In this context, polarised gender/class positions leave women at higher risk of poverty in old age, particularly for women not living with a partner or when a pension related to a partner's work life is not available. Only a minority of Israeli women currently extend their working lives, despite very low state allowances for older people. Policymakers have paid little attention to differences between men and women or among women in different circumstances. This has contributed to an assumption that raising pension age is an appropriate one-size-fits-all solution when it clearly is not.

Keywords Poverty · Retirement · Gender · Employment · Pensions

Israel's Socio-Economic Situation

Sustainability and later life wellbeing are influenced by gender and class inequalities in housing, education, access to good jobs, healthcare services, and pension programmes. Eight ethno-national categories in Israel range from Jews of European descent at the top of the social-politico-economic hierarchy, followed by Jews from Middle Eastern and North African countries, immigrants from the former USSR, immigrants from Ethiopia, Christian Palestinians, Druze, Muslim Palestinians, and Bedouins. Ethno-national inequalities are reflected in quantitative and qualitative

O. Benjamin (✉)

Department of Sociology and Anthropology, Bar-Ilan University, Ramat Gan, Israel
e-mail: orly.benjamin@gmail.com

S. Nisim

Poverty Research Unit, Bar-Ilan University, Ramat Gan, Israel

D. Segel-Karpas

Department of Gerontology, University of Haifa, Haifa, Israel

© The Author(s) 2020

Á. Ní Léime et al. (eds.), *Extended Working Life Policies*,
https://doi.org/10.1007/978-3-030-40985-2_23

data on local poverty rates among elderly women in each of these categories. Nevertheless, apart from than repeated suggestions to increase the retirement age and activation policies, effective policies directed at creating jobs for older people to enhance inclusion and income have not been implemented. Likewise, anti-age discrimination legislation and flexibility of the labour market have not been included in debates about extended working life policies.

Currently Israeli women remain in employment longer than before. In 1998, 44.6% of women aged 55–59, and 22.9% aged 60–64 were employed and 9.1% of women aged 65–70 were employed and 3.3% of women aged 70+ (Amir and Kalinov 2003). By 2017, 70% of women aged 55–59 were employed, as were 52.3% of women aged 60–64, 30.4% of women aged 65–69, and 6.3% of women aged 70+ (Central Bureau of Statistics 2018). In relation to pension coverage, Spivak and colleagues (2017) reported that increased income inequality after retirement age implies a higher risk of poverty for low income employees, regardless of gender. These authors showed that only 34% of pension savers with an income higher than the average income are women, while almost 70% of pension savers with an income lower than the minimum wage or around minimum wage are women. Savers with a stable income could expect a replacement rate of 70% of their present monthly income (Spivak et al. 2017). However, employees who work less than 12 months a year, a situation that applies to many women in precarious non-standard employment (Benjamin 2016), can expect only a 38% replacement rate. Gendered work histories characterized by moving between low quality jobs in service and care occupations, with dependency on low state allowances after retirement contribute to this difference (Spivak et al. 2017). Spivak and colleagues' prediction about predictable risks for poverty among certain categories of older people has been validated by a recent food insecurity report indicating that 12.8% of women after retirement age live in food insecurity, and for 6.3% of them, food expense anxiety is significantly higher.

Israel's population is relatively young, with only 10.8% (900,000) older adults (aged 65 and above); half of this older cohort are over the age of 75. Of adults 65 and above, 82% live with a partner, but among women, only 48% live with a partner. About 31% of adults over 65 reported worrying about their financial situation. These figures were calculated from the Survey of Health Ageing and Retirement in Europe (SHARE) data (2016). The data also showed that poverty rates are significantly higher among Palestinians living in Israel, for whom 47% of men and 88% of women in this age category cannot cover their expenses. In terms of labour market participation, 18.6% of older Palestinians are employed—27% of men and 11.9% of women. The proportion of those employed decreases with age: for the 65–69 cohort the participation rate is 38.6% (50.2% of men, 28% of women); after 70, only 8.2% are employed (13.5% of men, 4.2% of women). Reflecting the national occupational ladder, the participation rate for older Jews is higher (19.8%) than the rate for older Palestinians living in Israel (5.1%). In terms of working hours, 51.8% of older workers in the general population usually work full-time (35 h or more per week) and 48.1% work part-time. Among men, 63.3% work full-time and 36.7% work part-time. Among women, 31.4% work full-time and 68.6% work part-time. Among employed women, 34.2% work in managerial or academic occupations 10% as office clerks, and 24.1% work in sales and services and as skilled or unskilled labourers.

The Israeli Pension System

Long-term demographic and economic changes have contributed to three decades of pension reform in countries perceiving crises in their pension systems (Williamson and Williams 2005). Decreasing birth rates for dual earner families, increasing life expectancy and the growth of the older population (considered the financially weakest economic group of the population, excluded from participating in the work force), are some of the main causes for the perception of pension crises.

In Israel, a national system for distributing pensions was first established during the pre-state period by the Histadrut Union Federation, an overarching labour union that functioned as micro-state, employer, and trade union. These pensions were workplace occupational pensions that offered up to 70% of the basic wage based on mutual monthly payments by employees (11% of wages) and employers (5% of the wage). These defined-benefit (DB) schemes were granted exclusively for the Histadrut union members through collective agreements. Other large business organisations granted similar employer–employee jointly funded saving programmes through expansion orders of the Labour and Welfare Minister. State employees participated in fully funded pension programmes funded from state revenues (Gal 2002). Those entitled to the latter benefitted from rank-related employer provision.

The current Israeli pension system is based on two pillars. The first is a universal retirement social security income system that has operated since the establishment of the National Insurance Institute (NII) in 1954 (Achdut and Spivak 2010). The NII is responsible for managing and distributing benefits for social insurance programmes. These social insurance benefits, which were developed during earlier periods in which social democratic welfare models were locally embraced, embrace the role of the state to guarantee a basic income for all residents. These allowances are based on the pay-as-you-go (PAYG) principle, funded through a compulsory NII income-proportional tax paid by each citizen from the age of 18 to retirement (age 67 for men and 64 for women).

The two main insurance benefits are old-age insurance and survivors' insurance. Old-age insurance guarantees that Israeli citizens obtain a fixed monthly income during their old age regardless of their income level. Old-age insurance is approximately 1,530 NIS per month for individuals (just under 33% of the minimum wage) and 2,300 NIS for a couple. Survivors' insurance ensures a means of subsistence for surviving kin of a breadwinner—surviving spouse and orphans of a deceased Israeli citizen. Survivors' insurance is approximately 1,550 NIS a month. Alongside the social security system, there is a supplementary means-tested allowance designed to ensure a minimum income to older people with few or no other income sources. Those entitled to such a supplement receive 2,981 NIS (64% of the minimum wage) for an individual and 4,706 NIS for a couple. After eight years of no eligibility that followed the 2008 mandatory pension, since January 2016 those with low work pensions are also eligible for this supplemental income.

The second pillar of the Israeli pension system is the occupational fund. Traditionally, these schemes were aimed at Histadrut Union Federation members and

employees with coverage through collective agreements. As mentioned before, these schemes are jointly funded by employers and employees, pensioners are offered up to 70% of their basic wage after 35 years of saving. Alongside the DB funds a non-contributory benefit is paid by the National Insurance Institute, granted to older Jewish immigrants who lack the required qualification time period and therefore are not eligible for the regular DB scheme (Gal 2002).

As in many other OECD countries, during the 1980s and the 1990s pension funds faced substantial actuarial deficits and their financial viability became uncertain. To avoid a financial crisis of the pension system, the Ministry of Finance's (MOF) budgeting administrators exerted pressure for reform, and after an intense negotiation between the MOF and the Histadrut representatives, a first reform was enacted in 1995 (Spivak and Troitsky 2013). The reform included a governmental guarantee to financially support the existing funds while closing them to new members and replacing them with defined contributions (DC) based on pension schemes.

An important drawback of the reform is the increase in social inequalities: DC pension schemes are based on financial market investments that expose them to risks and stock market crises. The DC monthly contribution is known, but the monthly allowance is unknown and is calculated at the time of retirement (account balance + yield—management fee divided by the national life expectancy). The management fee of the DC schemes is relatively high—about six per cent depending on individual bargaining abilities, which obviously tends to be worse for those with lower income. Although the 1995 reform was designed to increase the competition among different private pension funds, it failed to do so. The Histadrut federation established new pension funds using their financial resources and reputation to recruit new members and to remain dominant in the pension market. In 2002, the total deficit of the pension funds was estimated at approximately 109 billion NIS (OECD 2011), which led to a second reform during 2003–2004.

The second reform was quite extensive and aimed to stabilise the actuarial deficit of the old funds by transferring 80 billion NIS as a final act of government support. The financial responsibility was transferred to fund members and involved the appointment of professional managers to the fund. Other measures implemented as part of the second reform included significant reduction of government subsidies for pension savings and created a unified mechanism to establish rights and arrangements of the funds. A new calculation method for pension rates was introduced. New public sector employees were no longer able to join the employer funded scheme and instead were granted the new pension plan (DC). Another part of the reform raised the retirement age from 65 to 67 for men and from 60 to 64 for women.

The 1995 and 2003–2004 reform's main concerns were financial stability and addressing the growing deficit of the old pension funds, low rates of pension coverage, and increased poverty rates among the older population. Beginning in 2008, a mandatory pension arrangement was initiated following an agreement between the Histadrut Union Federation and the manufacturers organisations through an expansion order issued by the Minister of Industry, Commerce and Employment. Each average salaried employee became entitled to a pension fund after at least six months of employment in the same workplace. In addition, individuals and groups

are now able to choose from the different pension funds and to switch between them, based on their own market preferences. Importantly, the mandatory programme takes 5.5% from the employee and 12% from the employer. However, of the employers' 12% contribution, only half of the funds are deposited to the pension programme while the other half is allocated to the severance package. Applied only since 2014, when calculated for minimum wages, current arrangements suggest very low future pension entitlement through these DC funds. Since January 2016, those on low pension entitlement (including individuals with no pension entitlement) are eligible to a supplemental public income.

To sum up, starting in 1980, Israel's economy took a neo-liberal turn: its pension system was gradually privatised, and the role of the government was reduced to regulation. Existing Figures (CBS 2012) reflect the main ramification of Israel's pension restructuring in terms of privilege and exclusion: only 64% of citizens over the age of 20 have at least one pension programme (for many it is only the first tier of occupational mandatory programme). As the mandatory pension blurred social distinctions, the reported gender gap in holding at least one pension programme is relatively small: 69% for men vs. 60% for women. Of men and women over age 60, 53% have a pension programme (CBS 2012).

The Debate Over Women's Pension Age

There has been heated debate over the retirement age for women during recent years (retirement age for men was increased in 2004 to 67). In July 2017, two members of the Knesset (the Israeli parliament) proposed the abolition of retirement ages, to facilitate individual choices about when to retire while prohibiting employers from forcing retirement other than against some standardised test of contribution to the job. On the one hand, there are women in quality jobs for whom retirement means a loss of potential to accumulate more monthly contributions and attain an increased pension allowance, compensating at least partly for the disadvantages embedded in a gendered work life. On the other hand, women earning minimum wages and/or in part-time employment, and for workers who suffer physical or emotional burnout often cannot wait to retire at older ages. For those in low paid jobs, the retirement allowance would actually increase their monthly income. Financial consideration concerning the ability of social security to pay allowances with increasing longevity is the main reason for pushing for change in retirement age. Herbst-Debby (2018) has shown that for employees in low-paid jobs, the move from the 'working mum' employment track to the imperative of the self-sufficient individual citizen has undermined the very limited welfare security such women had in the past. The expectation of the ungendered self-sufficient worker has not been accompanied by Israeli policy that secures jobs with reasonable wages and working conditions, or that offers working mothers a sustainable future at pension age. Further, many older women workers have encountered ageism and are already unemployed even before retirement age (Buksbaum and Dagan 2010). An earlier pension allowance for vulnerable women is a

matter of basic individual sustainability, while any legislation to postpone retirement would benefit those with the better pension programme.

The alternative to abolishing the retirement age would be gradually equalising the retirement age of men and women at age 67, which again leaves those outside or in the periphery of the labour market without a solution for later life income. Women's organisations have allied with feminist members of Knesset and strongly oppose any modification of the current law that does not account for women in precarious positions, in poverty, or at high risk of poverty. According to a 2018 protocol of a finance committee meeting at the Knesset, there is consensus among the Knesset supporting legislation to postpone women's retirement age. However, this is contingent upon the finance ministry's commitment to allocate appropriate compensation to fund retirement allowances for women where work history and current opportunities eliminate the possibility of employment after retirement. There is an impasse, since the finance ministry refuses to allocate such funding, stating that it would offset the advantage gained by the women's retirement age increase. Despite broad agreement that some retirees must be protected from financial difficulties as they age, the Treasury so far has refused to act. Meanwhile all those of retirement age will have reduced allowances (1.2% per month) to sustain pension funds rather than raise the pension age for women.

After Retirement-Age Employment: Another Source of Cheap Labour

In a representative sample of 853 adults aged 19–97, 47.2% preferred a mandatory retirement age set in law. In contrast, 60% of adults over 55, regardless of gender, reported they would prefer to continue working past the mandatory retirement age. Higher levels of perceived ageism were related to respondents' perception of older adults' desire to retire when they reach retirement age, and to thinking that retirement age should not be set by law (Segel-Karpas and Palgi 2018). However, even with high levels of support among older Israelis in the sample, extended working life may not be beneficial for all, despite many Israelis working past the retirement age. For example, on 12 September 2018, newspapers in Israel highlighted a typical conflict between the city council and the road sweeping subcontractor, which left 60 employees without income. The employees were all residents of Israel's southern periphery aged 10–15 years after retirement age, many of whom were immigrants from Ethiopia and the former Soviet Union and spoke very little Hebrew. Others among vulnerable categories include school safety guards who were not entitled to an income when schools shut for July and August. Women in similar social categories were often employed in cleaning or caring jobs (both in the home or in residential buildings) but they did not experience seasonal interruptions in their employment. This reflects the opportunity structure for immigrants who seek employment after

retirement age. These instances of over retirement age individuals employed in physically challenging jobs suggest the necessity of introducing the aspect of **job quality** in examining the implications of extended work life.

Health, Work, and Ageing

The Israeli context of mandatory retirement may have detrimental effects on adjusting to retirement, resulting in lower levels of physical and mental health. Retirement is particularly intimidating in Israel since a large majority of those over age 53 feel financially unprepared for it (Segel-Karpas and Werner 2014). Married people in this study reported feeling less prepared than non-married people, possibly because each spouse attributed responsibility to the other. These findings support earlier findings of Litwin and Meir (2013) showing that the main financial worry for adults aged 65 and older is that pension funds will not suffice for one's entire life. Other research in the Netherlands and the US suggest that, when retirement is perceived as involuntary, retirees respond with lower levels of wellbeing (Van Solinge and Henkens 2005; Schultz et al. 1998). In contrast, in a cross-sectional study of Jerusalem residents conducted between 1985 and 1987, Abramson et al. (1992) found that workers were healthier than non-workers, and that satisfaction with work was related to better health. Segel-Karpas (2015) used the Survey of Health Ageing and Retirement in Europe (SHARE) to examine that the moderating role of employment vs. retirement in the relationships among objective measures of health, subjective measures of health, and mental health. The relationship between objective health and self-perceived health was stronger among older workers than among retirees, suggesting that when health is not optimal, work roles could be an added stressor, resulting in poorer perception of health (Segel-Karpas 2015). However, the relationship between self-perceived health and depressive symptoms was stronger among the retired, suggesting that when health is perceived as less than optimal, the resources provided by the work role could mitigate its negative effects on psychological wellbeing.

The gendered path between employment and health is attributed to differences in social roles. Women are perceived, more often than men, to be responsible for the family. According to the OECD 2014 report, fertility rates in Israel are higher than in most Western countries, suggesting that the family poses a major responsibility for Israeli women. Women work an average of 8 h less per week than men (37 vs. 44.9 h per week), and the percentage of women employed in part-time positions is double that of men (31.8% vs. 13.2%) (CBS 2019).

In a longitudinal study that examined the changes in patterns of labour market participation for Israelis aged 50–69 from 2005 to 2010 (Achdut et al. 2014), the most important finding was the persistent increase in labour market participation past retirement age. Health emerged as the most important barrier to continued employment, primarily for women. Education shaped labour market participation the opposite way—the higher the educational attainment, the stronger the tendency for continuous employment. Those committed to support more children were more

likely to hold onto their employment. Wealth was important; individuals in the middle of the wealth distribution tend to leave the labour market while individuals at both ends are more likely to stay longer, suggesting an element of choice for wealthier individuals, and necessity for less wealthy Israelis. Those with an employed partner, particularly women, tended to leave the labour market. Generally, researchers found that people who stayed in employment longer usually tried to find a form of transitional job with reduced time and responsibility (Achdut et al. 2014).

Conclusion

Women in Israel are at a higher risk of poverty in old age than men, particularly when not living with a partner or lacking a pension related to a partner's work life. This is particularly true for those who suffered of intimate partner violence over their lifecourse. The risk of poverty increases when women support their grown-up children and it requires them to maintain their participation in the labour market in precarious jobs since they could not find quality employment in the 10 year period prior to retirement age.

More generally, after retirement age, about a fifth lives in poverty (NII 2018) and many individuals have had to go without medicines and medical treatment (Litwin and Meir 2013). Although many older Israelis require additional income, they do not benefit from high quality jobs in their extended work life. When many of the most vulnerable older Israelis participate in the labour market, they are employed as unskilled labourers or in low skill service and care occupations, and they face an opportunity structure that is of low quality. Women and immigrants are disproportionately clustered in such precarious and low-quality employment. Similarly, the situation is difficult for those living in homes that they own but need to leave because of stairs or distance from family and friends, or those who live in places in need of refurbishment, sometimes related to deteriorating health conditions. More data are needed for these groups of individuals, who need more material resources as well as support in efforts to increase their income and wellbeing. The norm of supporting older relatives is still strong among Palestinians living in Israel, but for immigrants, lack of state support may be especially detrimental with women immigrants being most vulnerable of all.

References

- Abramson, J. H., Ritter, M., Gofin, J., & Kark, J. D. (1992). Work-health relationships in middle-aged and elderly residents of a Jerusalem community. *Social Science and Medicine*, 34(7), 747–755.
- Achdut, L., & Spivak A. (2010). *The pension system in Israel after 15 years of reforms*. Policy Studies no. 8. Jerusalem: The Van Leer Jerusalem Institute.
- Achdut, L., Tur-Sinai, A., & Troytisky, R. (2014). Transitions between states of employment and patterns of retirement: The role of demography, health, wealth and perception of the quality of the job. In L. Achdut & H. Litwin (Eds.), *Changes in the second half of life: Main findings from the SHARE-Israel on those over 50, 2005–2010* (pp. 39–68). Jerusalem: The Israeli Gerontology data centre. (Hebrew).

- Amir, S., & Kalinov, R. (2003). *Changes in Men's labor force participation and rates of dropouts between 1973-1998*. The Labor force planning authority at the Israeli Labor Ministry (HEB).
- Benjamin, O. (2016). *Gendering Israel's outsourcing: The erasure of employees' caring skills*. New York: Palgrave MacMillan.
- Buksbaum, Y., & Dagan, M. (2010). *Women entrapped between age and employment*. Haifa: Mahut Centre.
- Central Bureau of Statistics (CBS). (2012). *The social survey*. Israel: Jerusalem. Retrieved November 1, 2018, from http://www.cbs.gov.il/www/statistical/mw2013_h.pdf.
- Central Bureau of Statistics. (2018). *Table 1.10, Percentage of participants in the labor force by age and sex*. Jerusalem, CBS: Monthly Labor force survey, December.
- Central Bureau of Statistics (CBS). (2019). https://www.cbs.gov.il/he/mediarelease/DocLib/2019/075/11_19_075b.pdf.
- Gal, J. (2002). How well does a partnership in pension really work? The Israeli public/private pension mix. *Aging and Society*, 22(2), 161–183.
- Herbst-Debby, A. (2018). The economically responsible single mum who sees to her future: Welfare-to-work programs and pension savings. *Journal of Social Policy*. <https://doi.org/10.1017/S0047279418000594>.
- Litwin, H., & Meir, A. (2013). Financial worry among older people: Who worries and why? *Journal of Aging Studies*, 27(2), 113–120.
- NII. (2018). *Poverty and social gaps in Israel—The 2017 report*. Jerusalem: Israel Institute for National Security.
- OECD (2011). *Israel: review of the private pension system*. Retrieved November 1, 2018, from <https://www.oecd.org/israel/OECD-SocietyAtAGlance2014-Highlights-Israel.pdf>.
- Schultz, K. S., Morton, K. R., & Weckerle, J. R. (1998). The influence of push and pull factors on voluntary and involuntary early retirees' retirement decision and adjustment. *Journal of Vocational Behavior*, 53(1), 45–57.
- Segel-Karpas, D. (2015). Number of illnesses, self-perceived health, and depressive symptoms: The moderating role of employment in older adulthood and old age. *Work, Aging and Retirement*, 1(4), 382–392.
- Segel-Karpas, D., & Palgi, Y. (2018). Attitudes, perceptions and demographic mapping of the lay public regarding changing the of Flitwinficial retirement age (unpublished report for the National Social Security).
- Segel-Karpas, D., & Werner, P. (2014). Perceived financial retirement preparedness and its correlates: A national study in Israel. *The International Journal of Aging and Human Development*, 79(4), 279–301.
- SHARE. (2016). Retrieved July 16, 2019, from <http://www.share-project.org/data-documentation/share-data-releases.html>.
- Spivak, A., & Troitsky, R. (2013). Pension reform in Israel. *Public and Municipal Finance*, 2(1), 26–45.
- Spivak, A., Tzemach, S., & Carmel, E. (2017). *The compulsory pension insurance reform: Its characterization and success evaluation*. A summarizing report for the Israeli Institute of Social Insurance. Jerusalem: Van Leer Institute.
- Van Solinge, H., & Henkens, K. (2005). *Adjustment to and satisfaction with retirement: Two of a kind?* Orlando, FL: Presentation.
- Williamson, J. B., & Williams, M. (2005). National defines contribution accounts: Neoliberal ideology and the political economy of pension reform. *The American Journal of Economics and Sociology*, 64(2), 485–522.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution 4.0 International License (<http://creativecommons.org/licenses/by/4.0/>), which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.